



NON- FINANCIAL REPORTING: A COMPARATIVE STUDY OF NIFTY AND NON-NIFTY COMPANIES

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ABSTRACT

This paper tries to compare the performance of Nifty and Non-Nifty companies and how reporting of non-financial information affects the performance of Nifty and Non-Nifty companies. For comparative analysis, we have taken few financial and non-financial factors which can explain the performance of a firm. The results shows us that Nifty companies have high market capitalization as compared to Non-Nifty companies. But, reporting of non-financial information have positive impact on the market performance of Nifty firms as compared to Non-Nifty companies.

KEYWORDS: Non-financial reporting, Non-financial information and Non-financial accounting, National Stock Exchange, Nifty companies.

1. INTRODUCTION

The value-relevance of non-financial information has increased remarkably over the last several years. Most top executives at large multinational firms believe that non-financial performance measures are more valuable than traditional financial measures in assessing long-term value (PricewaterhouseCoopers, 2002). This shift in information preferences has stimulated a substantial increase in the volume of non-financial information conveyed by firms to their stakeholders and other market participants.

Thus, current mandated financial reporting does not give a complete picture of a firm and is too short-term in orientation (Holder-Webb et al. 2008, 2009; Simnett et al. 2009a). In a world where the market value of the firm is decoupled from the value of its underlying assets, non-financial information offers a tool for measuring the firm value arising from intangibles and future cash flows that is missing from traditional financial reports (Lev 2001).

Given the limitations of historical financial information, an important question arises about what other information is of benefit to potential stakeholders. In a study, Cohen et al. (2011) found that retail investors were most concerned with non-financial disclosures that more directly affected future earnings such as the disclosure of leading economic indicators. In a recent review of developments on the integration of financial and non-financial information, Adams et al. (2011) argue that, "Integrated reporting is a means to providing a more coherent, balanced and complete picture of company performance, centred around strategic objectives and business models, and sensitive to the multiple drivers of value for today's businesses."

We can classify non-financial disclosures into two compartment namely economic and non-economic indicators. Economic indicators here mean the metrics which directly relates to performance of the business like market share, quality rankings, customer satisfaction, employee satisfaction, turnover and innovation etc. While, non-economic indicators are those metrics, which are not directly related to the business of the reporting entity like expenditure on environment, CSR undertaken expense on employees' betterment etc. Firms are keeping their stakeholders informed about both the indicators. But with the growth in demand of responsibly produced and fairly traded goods the focus has been shifted towards non-economic indicators.

Corporate social responsibility (CSR) activity is an area of intense and increasing interest both on the practice and academic fronts. Assets under professional management and invested with a social responsibility focus have also grown dramatically over the last ten years. Investors choosing social responsibility investment strategies require access to information which is not just provided through traditional financial statements and analyses. At the same time, a group of mainstream institutional investors has encouraged a movement to incorporate environmental, social, and governance information into equity analysis, and multi-stakeholder groups have supported enhanced business reporting on these issues.

Investors are not the only interested parties; CSR activity provides an increasing focus of product development and marketing practitioners. Research demonstrates that certain types of CSR activity produce value for firms in terms of brand loyalty and marketing advantages (Brown and Dacin 1997; Sen and Bhattacharya 2001). As Handelman and Arnold (1999, p. 36) note, "In any community, it is common to find retailers donating to local charities, sponsoring little league sports teams, and proudly displaying the national flag. These actions demonstrate the retailer's adherence to unwritten but powerful normative rules of acceptable social conduct, such as becoming involved with the community and

promoting national pride."

According to the SIF (p. 5), "issues now occupying mainstream consciousness – corporate governance, transparency, accountability, and greater disclosure – have long been central to the practice of social investing." In this study, we tried to found out the effects of certain type of social and environmental expenditures on the market capitalisation of top 200 firms listed on national stock exchange during the period of 2014-15 and 2015-16.

In the next section, we review some relevant studies for the disclosure of non-financial information. Followed by research design, where we describe the research methods used and tools adopted and hypotheses formulated. Then we have given analysis and discussion. In last section, we have conclude with the implications of the study for investors and academics, who are reconsidering the nature of corporate reporting of non-financial information.

2. LITERATURE REVIEW

The historical emphasis of traditional financial information does not answer the needs of stakeholders, who require information not only about future earnings but also about the firm's social and environmental responsibility and interactions with the environment and home communities (Adams 2004; Anderson et al. 2005).

The historical focus of financial reporting provides an incomplete picture of a firm's current status to auditors, investors, and creditors and has limited relevance for evaluating future prospects (Lev and Zarowin 1999; Lev 2001; Graham et al. 2005). Cohen et al. (2011) demonstrate that the efficiency and effectiveness of audits is improved through auditor use of non-financial information. However, the backward-looking financials are subjected to assurance services, are standardized among firms by GAAP, and possesses the currency of long use by external parties; thus stakeholders may over-rely on financial information that does not fully reflect the sources of value of a business. These issues with the historical and financial approach to disclosure are well known to the regulatory and investing community. Disclosure of non-financial information is essential to reduce the information asymmetry that exists between management and important stakeholders (Narayanan et al. 2000). Providing non-financial information allows investors to better assess key areas of performance and supports a broader view of corporate performance that also encompasses society at large (Holder-Webb et al. 2009). These insights are not new – the role of intangibles such as quality of management in corporate success has a long history in the literature (Trueman 1986) – but they do point to a crucial question raised by critics of the current reporting system. What is the most effective way of informing stakeholders of those elements of business performance that do not show up on the financial statements?

A number of recent initiatives designed to encourage the integration of financial and non-financial metrics in an integrated reporting framework have arisen over the past decade. For example, the Global Reporting Initiative (GRI) (2011) provides guidelines for presenting a sustainability report that emphasizes evaluating a company by its ability to promote sustainable growth that is also cognizant of environmental, social, and governance metrics. Adams et al. (2011) argue that three major differences between integrated reporting and traditional reporting are "incorporating a variety of financial and non-financial metrics and their interlink ages; capturing a longer-term perspective; and providing a better reflection of company strategy."

This begs the question of what metrics allow external users to evaluate a com-

pany's viability and the company's value proposition effectively. We classify non-financial indicators into two broad categories namely economic and non-economic metrics. Economic metrics focuses on the information which tells about the performance of the firm in its business. On the other hand, non-economic metrics are those which informs about the firms involvement in other important areas like environment, society, social welfare etc. Recently investors and other stakeholders have shown more interest towards non-economic indicators rather than economic non-financial indicators. Corporate social responsibility (CSR) activity is an area of intense and increasing interest both on the practice and academic fronts. Due to this shift in the preference of information it is necessary for the firms to give such information to their stakeholders.

3. RESEARCH DESIGN

3.1 The sample-

For the purpose of this study, we have identified the sample firms which are listed on National stock exchange. We have selected CNX 200 index comprising of top 200 firms listed on the exchange.

3.2 The Data-

Data for 200 firms in the NSE's CNX 200 index was taken from the CMIE Prowess database. Data was collected for the period 2014-15 and 2015-16. Data for the latest financial year 2016-17 was not available so, we have taken data till F.Y 2015-16. We got data for only 198 companies and data for 2 companies was not available in the prowess database. In these 198 firms there are 50 Nifty companies and 148 are other companies. For our analysis, we have taken the data for market capitalisation (dependent variable) as on 31 March 2016 i.e the latest data available for F.Y 2015-16. For other variables we have taken average of data for F.Y 2014-15 and 2015-16. Data for profit and market capitalisation is available for all the firms in the sample but data for CSR expenditure is available only for 92 firms and data for environmental expenditure is available for only 11 firms.

3.3 Model Specification-

We have used linear regression model to analyse the data. In our model, we have taken "market capitalisation" as a dependent variable which represents the market value of the firm. This is taken as a dependent variable because, we want to study the impact of some financial and more importantly non-financial factors on market value of the firm. The unit value of market capitalisation in our study is million rupees.

Our first independent variable is profit which is a financial factor and is being used as a summary indicator for the health of the business. Traditionally, profit is considered to be a main factor which affects the market value of the firm. All the theories take profit as a proxy for the performance of business and capitalise it in order to derive value of the firm while, ignoring other factors which are equally important now.

Based on literature, we have taken expenditure on pollution control as a proxy for environmental expenditure. Firms doing expenditure for pollution control tells about their concern for environment in which they work.

Then, we have taken sum total of donations, social and community expenditure as a proxy for CSR (corporate social responsibility). This tells about the concern of the reporting entity for the society. Both these variables in our study are very important to see whether indulging and reporting of such events actually affect the returns investors in terms of market value of the firm.

We have also taken training expenses, ESOPS (employee stock option plan) and bonuses as a proxy to staff welfare. This tells us about the firm's involvement in overall development and concern for their employees. Staff welfare expenses are also a kind of non-financial factor as it is not mandatory for the firms to incur such expenditure. So, in total we have made three category of all the social and environmental expenditure namely, environmental expenditure, CSR, staff welfare expenditure.

Due to lack of data on CSR and pollution control, we have taken dummies for both these variables. For creating the dummy we have assigned "1" for all the companies which have incurred any expenditure on CSR and "0" for the companies which have not incurred anything on CSR. In the same way we have done for pollution control expenditure.

To study the impact of profit and staff welfare on Nifty companies, we created a dummy Nifty column in which we have assigned "1" to the companies which form the part of Nifty and "0" to the companies which do not form the part of Nifty. In total, we assigned "1" to 50 companies and "0" to 148 companies. Then, we created dummy staff welfare column by the product of dummy Nifty and average staff welfare expenditure. In the same fashion, we have created dummy profit column. In each of these two columns there are 50 values and 148 zeros.

Table-1
Summary table for variables

| Name of the variable | Explanation | Period (Date) | Unit of measurement | Expected relation with DV* |
|------------------------|---|-----------------------------|---------------------|----------------------------|
| Market capitalisation | Measures the value of the firm. | 31 st march 2016 | Million rupees | — |
| Profit | Net profit earned by the sample firms. | 2014-15 and 2015-16 | Million rupees | Positive |
| Staff welfare | Expenditure on staff welfare by sample firms includes training, ESOPS, bonuses. | 2014-15 and 2015-16 | Million rupees | Positive/Negative |
| CSR | Expenditure on CSR for sample firms includes donations, social community expense. | 2014-15 and 2015-16 | Million rupees | Positive/Negative |
| Environmental expenses | Expenditure on environment for sample firms includes pollution control expenditure. | 2014-15 and 2015-16 | Million rupees | Positive/Negative |
| Nifty | Dummy for Nifty companies. | --- | Million rupees | Positive |
| Profit(Nifty) | Profit earned for Nifty companies | 2014-15 and 2015-16 | Million rupees | Positive |
| Staff welfare(Nifty) | Staff welfare for Nifty companies includes training expenses, ESOPS and bonuses. | 2014-15 and 2015-16 | Million rupees | Positive/Negative |

*dependent variable

Model 1 Algebraic form-

$$MkCap = \alpha + \beta_1 Profit + \beta_2 Staff_welfare + \beta_3 CSR + \beta_4 Env. + \beta_5 D_Nifty + \beta_6 D_Profit + \beta_7 D_Staff_welfare + \beta_8 D_CSR + \beta_9 D_Env.$$

3.4 Hypotheses formulation-

As discussed in literature, there is increasing trend towards SRI and firms have also changed their philosophy of business. So, there is a need to examine if the reporting of such non-financial factors affect returns for the investors in term increased market value of the firm, as it is affected by financial factors like profit. Therefore, the initial exploration of non-financial disclosures for top 200 listed firms relies on non-directional research questions.

3.4.1 Primary hypothesis-

How is market value of the firms is affected by non-financial factors?

This is the primary aim of our study. In literature, it is stated that because of the shift in the philosophy of the business, they are spending more towards society and environment, but we need some evidence whether such change and firms engagement with broader stakeholders is affecting the market value of firm or not.

For this we build our null and alternate hypothesis as-

H₀: Market value of the firm is not affected by non-financial factors.

H₁: Market value of the firm is affected by non-financial factors.

Decision rule- We shall accept the null hypothesis if, obtained t-value is less than the tabulated t-value. Otherwise, we shall 'reject' the null hypothesis and 'accept' alternate hypothesis.

How financial factors affect market value of the firm?

All the theories in literature have assumed that profit is the best proxy for the financial performance of the firm. We also know that all the theories on market valuation talks about financial factors like profit for the determination of the market value of a firm.

For this we build our null and alternate hypothesis as-

H₀: Market value of the firm is not affected by financial factors.

H₁: Market value of the firm is affected by financial factors.

Decision rule- We shall accept the null hypothesis if, obtained t-value is less than the tabulated t-value. Otherwise, we shall 'reject' the null hypothesis and 'accept'

alternate hypothesis.

Whether there is any difference in determination of market value of Nifty and non-Nifty firms?

It is important to find out that whether the determination of market value of Nifty firms is different from non-Nifty companies.

For this we build our null and alternate hypothesis as-

H₀: There is no difference in market value determination of Nifty and non-Nifty firms

H₁: There is difference in market value determination of Nifty and non-Nifty firms.

Decision rule- We shall accept the null hypothesis if, obtained t-value is less than the tabulated t-value. Otherwise, we shall 'reject' the null hypothesis and 'accept' alternate hypothesis.

3.4.2 Secondary hypothesis - How market value is affected by CSR reporting?

In the literature we have seen that with the shift in the philosophy of business, CSR reporting is becoming more of a common phenomenon, but it is important to understand its affect on market value of the firm.

H₀: Market value of the firm is not affected by CSR reporting.

H₁: Market value of the firm is affected by CSR reporting.

Decision rule- We shall accept the null hypothesis if, obtained t-value is less than the tabulated t-value. Otherwise, we shall 'reject' the null hypothesis and 'accept' alternate hypothesis.

How market value is affected by environmental reporting?

Firms are indulging in pollution control with other measures in order to take care of the environment in which they function. But it is important to know whether indulging and reporting of such activities affect market value or not.

To present this we take our null hypothesis that market value of the firm is not affected by environmental spending and reporting and our alternate hypothesis that market value is positively affected by environmental spending and reporting.

H₀: Market value of the firm is not affected by environmental spending and reporting.

H₁: Market value of the firm is affected by environmental spending and reporting.

Decision rule- We shall accept the null hypothesis if, obtained t-value is less than the tabulated t-value. Otherwise, we shall 'reject' the null hypothesis and 'accept' alternate hypothesis.

How market value is affected by staff welfare expenditures?

Due to the increase in the stakeholder's engagement, firms are spending more on training and welfare of employees. In order to get the relationship of such expenditure on market value we present null hypothesis that market value of the firm is not affected by staff welfare expenditure and alternate hypothesis that staff welfare expenditure positively affect market value of the firm.

H₀: Market value of the firm is not affected by staff welfare expenditure.

H₁: Market value of the firm is affected by staff welfare expenditure.

Decision rule- We shall accept the null hypothesis if, obtained t-value is less than the tabulated t-value. Otherwise, we shall 'reject' the null hypothesis and 'accept' alternate hypothesis.

How market value of Nifty firm's is affected by profit?

Here, we want to see whether there is any impact of profit on the market value of specifically Nifty firms. So, we present our null hypothesis that market value of Nifty firms is not affected by profit and alternate hypothesis that market value of Nifty firms is affected by profit.

H₀: Market value of Nifty firm's is not affected by profit.

H₁: Market value of Nifty firm's is affected by profit.

Decision rule- We shall accept the null hypothesis if, obtained t-value is less than the tabulated t-value. Otherwise, we shall 'reject' the null hypothesis and 'accept' alternate hypothesis.

How Nifty firm's market value is affected by staff welfare?

Here we want to see whether there is any impact of staff welfare expenditure on

the market value of specifically Nifty firms. So, we present our null hypothesis that market value of Nifty firms is not affected by staff welfare expenditure and alternate hypothesis that market value of Nifty firms is affected by staff welfare expenditure.

H₀: Market value of the firm is not affected by staff welfare expenditure.

H₁: Market value of the firm is affected by staff welfare expenditure.

Decision rule- We shall accept the null hypothesis if, obtained t-value is less than the tabulated t-value. Otherwise, we shall 'reject' the null hypothesis and 'accept' alternate hypothesis.

T-test has been used for all hypotheses and level of significance is taken at 5%.

4. ANALYSIS AND DISCUSSION

4.1 Model 1

Table- 2
Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---------------------------|-------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 54060.371 | 29173.088 | | 1.853 | .065 |
| | PROFIT | 5.801 | 2.799 | .375 | 2.073 | .040 |
| | D_PROFIT | 5.899 | 2.930 | .393 | 2.013 | .046 |
| | STAFF_WEL | 49.901 | 49.748 | .150 | 1.003 | .317 |
| | D_STAFF_WEL | -12.777 | 52.696 | -.039 | -.242 | .809 |
| | CSR | -109.413 | 91.650 | -.057 | -1.194 | .234 |
| | DUMMY_CSR | 19970.169 | 36052.202 | .022 | .554 | .580 |
| | ENV | -38.744 | 738.942 | -.002 | -.052 | .958 |
| | DUMMY_ENV | -47443.604 | 92956.256 | -.023 | -.510 | .610 |
| | D_NIFTY | 115875.044 | 51381.620 | .109 | 2.255 | .025 |
| Dependent Variable: MKCAP | | | | | | |

MkCap = 54060.371 + 5.801Profit + 49.901Staff_welfare + (-)109.413CSR + (-)38.744Env. + 115875.044D_Nifty + 5.899D_Profit + (-)12.777D_Staff_welfare + 19970.169D_CSR + (-)47443.604D_Env.

Constant term i.e "α" takes into account the variables which are not considered into the model. We know that there are many financial and non-financial variables which affect the market value of the firm, but to keep our model simple we have ignored these variables. Results suggest that "α" coefficient is 54060.371 million units with a t-statics 1.853 and p-value of .065. This shows that "α" is quite high but not statistically significant for firms in CNX 200 index.

Result for our first independent variable (profit) is significant. It has a beta coefficient of 5.801 which suggest a 'positive relation' between profit and market value of the firm. It means that for every unit increase in profit, the market value will increase by 5.541 units. With t-statics of 2.073 and p-value of .04 it turns out to be significant. So, we 'reject' the null hypothesis that market value of firms is not affected by profit and 'accept' the alternate hypothesis that market value of firms is affected by profit.

Our, next independent variable is dummy profit, which has a beta coefficient of 11.7(5.899+5.801) which is positive and implies that there is a 'positive' relation between market value and profit for Nifty firms. It means that for every one unit increase in the profit of Nifty firm's the market value will increase by 11.030 units. In comparison to non-Nifty companies market value of Nifty companies is more sensitive to profit. It has t-statistic of 2.013 and p-value of .046 which implies that it is statistically significant. So, we 'reject' the null hypothesis that market value of Nifty firms is not affected by profit and 'accept' the alternate hypothesis that market value of Nifty firms is affected by profit.

We can say that profit affects both Nifty and non-Nifty companies positively but the affect is more on Nifty companies. The reason for this may be the large capitalisation of Nifty firms and large turnover in the capital markets.

Our, next variable is staff welfare. It has a beta coefficient of 49.901 which suggest there is a 'positive relation' between staff welfare expenditure and market value of the firm. The magnitude implies that for every one unit increase in the staff welfare expenditure market value of the firm would increase by 49.901 units. With t-statics of 1.003 and p-value of .317, it turns to be not significant although, coefficient is large in magnitude. So, we 'accept' the null hypothesis that market value of firms is not affected by staff welfare expenditure and 'reject' the alternate hypothesis that market value of firms is affected by staff welfare expenditure.

Our, next independent variable is dummy staff welfare expenditure, which has a beta coefficient of -12.777 which is negative and implies that there is a 'negative' relation between market value and staff welfare expenditure for Nifty firms. It means that for every one unit increase in the staff welfare expenditure of Nifty firm's the market value will decrease by 12.777 units. In comparison to non-Nifty companies there is an opposite relationship for Nifty companies between market value and staff welfare. It has t-statistic of -.242 and p-value of .809 which implies that it is not statistically significant. So, we 'accept' the null hypothesis that market value of Nifty firms is not affected by staff welfare expenditure and 'reject' the alternate hypothesis that market value of Nifty firms is affected by staff welfare expenditure.

This shows that non-Nifty companies' market value is getting affected positively by staff welfare expenditure but in case of Nifty companies' staff welfare expenditure is pulling down the market value of the firm.

Other independent variable is CSR expenditure, which also has a high beta coefficient of -109.413 which gives a 'negative' relation between market value and CSR expenditure. It means that for every one unit increase in CSR expenditure market value will decrease by 109.413 units. It has t-statistics of -1.194 and p-value .234 which implies that it is not statistically significant. Although, its magnitude is high. So, we 'accept' the null hypothesis that market value of firms is not affected by CSR expenditure and 'reject' the alternate hypothesis that market value of firms is affected by CSR expenditure.

Our, other independent variable is dummy CSR expenditure, which also has a high beta coefficient of 19970.169 which gives a 'positive' relation between market value and CSR expenditure. It means that if a firm is doing CSR then its market value would increase by 19970.169 million units. It has t-statistics of .554 and p-value .58 which implies that it is not statistically significant. Although, its magnitude is high. So, we 'accept' the null hypothesis that market value of firms is not affected by CSR expenditure and 'reject' the alternate hypothesis that market value of firms is affected by CSR expenditure.

This indicates that non-financial reporting has somewhat positive impact on market performance of Nifty companies as for non-Nifty companies its coefficient is negative.

Our, next independent variable is environment expenditure which has a beta coefficient of -38.744 which is negative and implies that there is a 'negative' relation between market value and environmental expenditure. It means that for every one unit increase in the environmental expenditure the market value of the firm decreases by -38.744 million units. It has t-statistic of -.052 and p-value of .958 which implies that it is not statistically significant. So, we 'accept' the null hypothesis that market value of firms is not affected by environmental expenditure and 'reject' the alternate hypothesis that market value of firms is affected by environmental expenditure.

Our, other independent variable is dummy environmental expenditure, which also has a high beta coefficient of -47443.604 which gives a 'negative' relation between market value and environmental expenditure. It means that if a firm is doing environmental expenditure then its market value would decrease by 47443.604 million units. It has t-statistics of .510 and p-value .610 which implies that it is not statistically significant. Although, its magnitude is high. So, we 'accept' the null hypothesis that market value of firms is not affected by CSR expenditure and 'reject' the alternate hypothesis that market value of firms is affected by CSR expenditure.

Our, next independent variable is dummy Nifty. It has a very high beta coefficient of 169935.415(115875.044+54060.371) which is 'positive'. This represent that the market value of Nifty firms is very high as compared to other non-Nifty firms and there are many more factors which affect the market value of Nifty firms. It has t-statistics of 2.255 and p-value of .025 which implies that it is highly significant. So, we 'reject' the null hypothesis that there is no difference in market value of Nifty firms and non-Nifty firms and 'accept' the alternate hypothesis that there is difference in market value of Nifty and non-Nifty firms.

As we are using dummy variables the results are not reliable. What we can do is drop the dummy variables which are not statistically significant and run the regression again. We have dropped all the dummy variables except dummies for profit and Nifty as both are statistically significant. Our new model would be:

Model 2 algebraic form-

$$\text{MkCap} = \alpha + \beta_1 \text{Profit} + \beta_2 \text{Staff_welfare} + \beta_3 \text{CSR} + \beta_4 \text{Env.} + \beta_5 \text{D_Nifty} + \beta_6 \text{D_Profit}$$

4.2 Results for our second model are-

Table-3
Coefficients

| | Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---------------------------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 62211.121 | 24148.373 | | 2.576 | .011 |
| | PROFIT | 5.934 | 2.720 | .383 | 2.182 | .030 |
| | D_PROFIT | 5.572 | 2.804 | .371 | 1.987 | .048 |
| | STAFF_WEL | 39.346 | 15.254 | .119 | 2.579 | .011 |
| | CSR | -86.412 | 83.368 | -.045 | -1.037 | .301 |
| | ENV | -253.231 | 568.150 | -.016 | -.446 | .656 |
| | D_NIFTY | 117551.770 | 49995.938 | .110 | 2.351 | .020 |
| Dependent Variable: MKCAP | | | | | | |

$$\text{MkCap} = 62211.121 + 5.934 \text{Profit} + 39.346 \text{Staff_welfare} + (-)86.412 \text{CSR} + (-)253.231 \text{Env.} + 117551.770 \text{Nifty} + 5.572 \text{D_Profit}$$

Constant term here represents all the variables which are not taken in to consideration. As compared to our earlier model coefficient has increased. A coefficient is now 62211.121 units which tell that there are other variables also which affect the market performance of the firm. Its t value is 2.576 and p-value is .011 which indicates that it is statistically significant.

Result for our first independent variable (profit) is significant. It has a beta coefficient of 5.934 which suggest a 'positive relation' between profit and market value of the firm. It means that for every unit increase in profit, the market value will increase by 5.541 units. With t-statistics of 2.182 and p-value of .030 it turns out to be significant. So, we 'reject' the null hypothesis that market value of firms is not affected by profit and 'accept' the alternate hypothesis that market value of firms is affected by profit.

Our, next independent variable is dummy profit, which has a beta coefficient of 11.506(5.572+5.934) which is positive and implies that there is a 'positive' relation between market value and profit for Nifty firms. It means that for every one unit increase in the profit of Nifty firm's the market value will increase by 11.506 units. In comparison to non-Nifty companies market value of Nifty companies is more sensitive to profit. It has t-statistic of 1.987 and p-value of .048 which implies that it is statistically significant. So, we 'reject' the null hypothesis that market value of Nifty firms is not affected by profit and 'accept' the alternate hypothesis that market value of Nifty firms is affected by profit.

Results are in line with various theories for valuation of the firm which states that financial factors have impact on the market performance of the firm.

Our, next variable is staff welfare. It has a beta coefficient of 39.346 which suggest there is a 'positive relation' between staff welfare expenditure and market value of the firm. The magnitude implies that for every one unit increase in the staff welfare expenditure market value of the firm would increase by 39.346 units. With t-statistics of 2.579 and p-value of .011, it turns to be significant although, coefficient is not large in magnitude. So, we 'reject' the null hypothesis that market value of firms is not affected by staff welfare expenditure and 'accept' the alternate hypothesis that market value of firms is affected by staff welfare expenditure.

This shows us that staff welfare is one more aspect which affect the market performance of the firm.

Our, other independent variable is CSR expenditure, which also has a high beta coefficient of -86.412 which gives a 'negative' relation between market value and CSR expenditure. It means that for every one unit increase in CSR expenditure market value will decrease by 86.412 units. It has t-statistics of -1.037 and p-value .301 which implies that it is not statistically significant. Although, its magnitude is high. So, we 'accept' the null hypothesis that market value of firms is not affected by CSR expenditure and 'reject' the alternate hypothesis that market value of firms is affected by CSR expenditure.

Our, next independent variable is environment expenditure which has a beta coefficient of -253.231 which is negative and implies that there is a 'negative' relation between market value and environmental expenditure. It means that for every one unit increase in the environmental expenditure the market value of the firm decreases by 231.231 million units. It has t-statistic of -.446 and p-value of .656 which implies that it is not statistically significant but magnitude is large. So, we 'accept' the null hypothesis that market value of firms is not affected by environmental expenditure and 'reject' the alternate hypothesis that market value of firms is affected by environmental expenditure.

This may be because environmental consciousness is less among corporate and investors.

Our next independent variable is dummy Nifty. It has a very high beta coefficient of 177722.891(117511.770+62211.121) which is 'positive'. This represents that the market value of Nifty firms is very high as compared to other non-Nifty firms and there are many more factors which affect the market value of Nifty firms. It has t-statistics of 2.351 and p-value of .020 which implies that it is highly significant. So, we 'reject' the null hypothesis that there is no difference in market value of Nifty firms and non-Nifty firms and 'accept' the alternate hypothesis that there is difference in market value of Nifty and non-Nifty firms.

In general for Nifty companies there are many more unknown factors which affect its market performance.

5. CONCLUSIONS

The objective of our study is to analyse the effect of non-financial factors on the market value of the firms. Firstly, we found that CSR expenditure is not uncommon as environmental expenditure among sample firms in the study; 92 of 200 firms are doing and reporting CSR expenditure on the other hand for environmental expenditure figure stands at only 11 of 200 firms. Through regression results we found that profit, which is a financial factor, has the largest effect on the market value of both Nifty and other firms. This suggests that results are in line with traditional theories of firm valuation like MM or Gordon theory, which says that market value depends upon profit.

It can be said both financial and non-financial reporting have impact on the market value of the firm. But two important non-financial factors CSR and environment have negative impact on market performance. This is not well for non-financial reporting and corporate responsibility (CR) in general.

The silver lining is that there is a somewhat large and positive effect of staff welfare reporting. This shows that corporate and investors are acknowledging the importance of the employees and they are biased towards employees' welfare activities, among other non-financial factors where the more important dimensions like CSR and environment neither received enough attention or they have been done half heartedly resulting in unsystematic expenditure and imprecise reporting. The pattern of social expenditure has been varying as the standard deviation is high which means that some firms are spending more and others are doing less or not doing anything. This does not result in market wide perception of non-financial reporting and hence whatever is being done in the name of corporate responsibility, environment or CSR is not getting translated into perceptual results in terms of market value of the firm.

The empirical evidence with limited sample could be altered if sample size and time period is expanded. Present study demonstrates that financial factors explain part of the market performance and there is a role of non-financial factors play. But the accounting process is yet not so developed as to establish a very sound impact of non-financial reporting on the market performance of the firm. There are no precise standards for non-financial reporting. The international and national standards which are available are voluntary. Due to absence of regulation and standards, reporting of non-financial is not systematic and the effectiveness of non-financial outlay is also not very clear.

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